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FISCAL IMPACT STATEMENT

LS 7539 **NOTE PREPARED:** Feb 25, 2005
BILL NUMBER: HB 1695 **BILL AMENDED:** Feb 24, 2005

SUBJECT: Retail Development.

FIRST AUTHOR: Rep. Behning **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) This bill allows the Marion County City-County Council to designate a Special Retail District if the district:

(1) does not exceed 400 acres;
(2) is established for the purpose of undertaking a project that involves a total capital commitment in excess of $125,000,000;
(3) the total capital investment for the project will be in excess of $500,000,000; and
(4) the project would not otherwise be accomplished through the ordinary operations of private investment.

The bill provides that if a district is designated, an additional 1% Sales Tax applies to retail transactions within the district. It also specifies that this additional 1% Sales Tax is imposed, paid, and collected in the same manner as the State Sales Tax. The bill requires the amounts received from the additional 1% Sales Tax to be paid monthly by the Treasurer of the state to the county fiscal officer and deposited into a special fund. It allows money in the special fund to be used by the Metropolitan Development Commission for any purpose that property tax increment could be used.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) This bill authorizes the Marion County City-County Council to establish a Special Retail District (District) and impose an incremental Sales Tax of 1% to carry out economic development projects involving capital commitments in excess of $125 M and total capital investment at completion in excess of $500 M. The bill provides that the 1% Sales Tax may only be imposed on retail transaction within the District.

The bill provides that the Department of State Revenue (DOR) is required to collect the tax. The resulting administrative cost impact to DOR could presumably be covered through the use of existing staff and resources.

Explanation of State Revenues: (Revised) The overall impact on state revenues is indeterminable. The revenue from the additional 1% Sales Tax would be distributed to the Marion County Fiscal Officer. The impact on state Sales Tax revenues will ultimately depend upon the level of new development in the district and the extent to which it generates new economic activity in the state. New development will increase the base of Sales Tax collections. There could also be a positive impact on the state's revenues from the Individual and Corporate Adjusted Gross Income Taxes and the Property Tax.

Explanation of Local Expenditures: (Revised) This bill would have a slight administrative impact on the Marion City-County Council, the Metropolitan Development Commission, and the County Fiscal Officer. It is estimated that the increase could be covered through the use of existing staff and resources.

Explanation of Local Revenues: (Revised) The impact on local revenues is indeterminable. The bill requires the amounts received from the additional 1% Sales Tax to be paid monthly by the Treasurer of the state to the County Fiscal Officer and deposited into a special fund. It allows money in the special fund to be used by the Metropolitan Development Commission for any purpose that property tax increment could be used under IC 36-7-15.1-26, including the payment of debt service or lease rentals and the establishment and maintenance of a debt service reserve.

IC 36-7-15.1-26 says that the property tax increment (and therefore the Sales Tax increment under this bill) may be used only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds that are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 19 of this chapter.

(D) Pay the principal of and interest on bonds issued by the consolidated city to pay for local public improvements in that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 17.1 of this chapter.

(G) Reimburse the consolidated city for expenditures for local public improvements (which include buildings, parking facilities, and other items set forth in section 17 of this chapter) in that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility in that allocation area under any lease entered into under IC 36-1-10.

(I) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(I) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Marion City-County Council; Metropolitan Development Commission; County Fiscal Officer.

Information Sources:

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